

Main Themes of the Medicaid Budget

Division of Health Care Financing
Budget Initiatives and Long-Term Care Reform - April 6, 2005



Main Themes of the Medicaid Budget

- Preserve the health care safety net
- Resolve revenue deficiencies
- Obtain all available federal revenue
- Save money wherever possible
- Expand managed care
- Reform long-term care
- Improve health quality and safety



Preserve the Health Care Safety Net

- No cuts in Medicaid benefits or eligibility
- No cuts in BadgerCare benefits and eligibility
- Fight for SeniorCare
- Modest expansions for:
 - Youths between 18 and 21 in out-of-home care
 - Prenatal care for undocumented immigrants



Resolve Revenue Deficiencies

- Base adjustments to GPR
 - \$700 million gap in 2003-05
 - \$330 million gap in 2005-07
- Patients' Compensation Fund
- Contingency plan for borrowing up to \$130 million



Funding Changes in 2005-07 Budget

Governor's Budget Request Summary - SEG in millions

Supplemental funding in 2005-07 Budget	2005-06	2006-07	Total
Supplement GPR with Injured Patients and Families Compensation Fund Revenue	\$150.0	\$0.0	\$150.0
Replace GPR budgeted for Supplemental Hospital Payments with Injured Patients and Families Compensation Fund Revenue	9.1	9.1	\$18.1
Supplement GPR with Proceeds from Revenue Bonds or Excess Sales Tax, as available	0.0	130.0	\$130.0
Total	\$159.1	\$139.1	\$298.1



Obtain All Available Federal Revenue

- HMO assessment
- Nursing home bed assessment
- Medicaid services for children in residential care centers
- Make Wisconsin Medicaid cost reporting (WIMCR) permanent



HMO Assessment and Rate Increase

Governor's Budget Request Summary - in millions Medicaid and BadgerCare

HMO Assessment and Rate Increase	2005-06	2006-07	Biennium
Assessment Revenue	\$29.0	\$59.2	\$88.2
HMO rate increase and payments	\$36.2	\$81.2	\$117.4
GPR savings	-\$14.7	-\$27.7	-\$42.4
Additional Federal Revenue	\$21.9	\$49.7	\$71.6



Nursing Home Assessment and Rate Increase

Governor's Budget Request Summary - in millions Medicaid

Nursing Home Assessment and Rates	2005-06	2006-07	Biennium
Assessment Revenue	\$25.6	\$26.6	\$52.2
Nursing Home rate increase and payments	\$37.6	\$50.0	\$87.5
GPR savings	-\$7.4	-\$7.6	-\$15.0
Additional Federal Revenue	\$21.7	\$28.7	\$50.4



Residential Care Center Treatment Services

Governor's Budget Request Summary - in millions Medicaid

Residential Care Treatment	2005-06	2006-07	Biennium
Additional Federal Revenue	\$31.0	\$28.5	\$59.5
Additional Payments	\$7.6	\$5.1	\$12.6
GPR savings	-\$23.4	-\$23.4	-\$46.8



Implementation of Initiatives in 2003-05 Budget

- Act 33, the 2003-05 budget bill, contained very aggressive savings targets and reduced the Medicaid budget by \$183 million state share (GPR, SEG and PR) for cost-reducing initiatives.
- The Medicaid program was able to achieve and actually slightly exceed these savings targets.



Implementation of Initiatives in 2003-05 Budget

Budgeted vs. Actual Savings FY 2003-05 in State Share (GPR, SEG, PR)

	2003-05 Budgeted Savings (Act 33)	Actual 2003-04 Projected 2004-05	Difference
Total	\$182.6	\$185.1	(\$2.5)
Oxygen and ESRD Payment Changes	\$4.9	\$6.4	(\$1.5)
Medicare Part B Payment Changes	\$13.9	\$12.9	\$1.0
Audit Recoveries	\$0.2	\$3.0	(\$2.8)
Nursing Home County Supplemental	\$32.1	\$32.1	\$0.0
Drug Initiatives	\$39.4	\$39.4	\$0.0
SSI Managed Care Implementation	\$14.9	\$0.1	\$14.9
Graduate Medical Education Payments	\$18.0	\$18.0	\$0.0
Additional, Unbudgeted Initiatives	\$0.0	\$12.0	(\$12.0)
Other Initiatives	\$59.2	\$61.3	(\$2.1)



Savings Initiatives in 2005-07 Budget

Governor's Budget Request Summary - AF in millions

Medicaid, BadgerCare and SeniorCare

Savings Items in 2005-07 Budget	2005-06	2006-07	Biennium
Case management for children with special needs	-\$0.1	-\$0.3	-\$0.4
Reduce Emergency Room Utilization	-\$1.0	-\$1.0	-\$2.0
Managed care expansions	-\$6.9	-\$12.6	-\$19.5
Community relocations under CIP II waiver	-\$2.0	-\$7.2	-\$9.2
Eliminate "grace month" policy	-\$3.7	-\$3.7	-\$7.5
ESRD reimbursement to inpatient hospital change	-\$0.1	-\$0.2	-\$0.3
Therapy reimbursement rate changes	-\$5.8	-\$6.8	-\$12.6
Pharmacy reimbursement initiatives	-\$18.0	-\$25.8	-\$43.8
Increase fraud prevention	-\$1.9	-\$3.8	-\$5.7
Increase third-party recoveries	-\$3.6	-\$3.6	-\$7.2
Implement broker for transportation services	\$0.0	-\$6.7	-\$6.7
Eligibility systems changes	-\$7.1	-\$20.3	-\$27.4
Total	-\$50.2	-\$92.1	-\$142.2



Pharmacy Reimbursement Initiatives

Governor's Budget Request Summary - AF in millions Medicaid, BadgerCare and SeniorCare

Pharmacy Reimbursement Initiatives	2005-06	2006-07	Total
Reduce reimbursement to AWP-16%	-\$9.3	-\$13.4	-\$22.6
Reduce dispensing fee to \$3.88	-\$2.9	-\$4.1	-\$7.0
Eliminate enhanced rate for SeniorCare	-\$4.0	-\$6.2	-\$10.2
Reduce reimbursement for drugs administered by physicians in clinics	-\$1.8	-\$2.2	-\$4.0
Total	-\$18.0	-\$25.8	-\$43.8



Expand Managed Care

Governor's Budget Request Summary - AF in millions Medicaid and BadgerCare

Managed Care Expansion	2005-06	2006-07	Total
Increase enrollment of low-income family recipients	-\$3.7	-\$3.3	-\$7.0
Expansion managed care program for SSI-Eligibles	-\$3.2	-\$9.3	-\$12.5
Total	-\$6.9	-\$12.6	-\$19.5



BadgerCare Cost-Savings Initiatives

- The Governor's budget requires DHFS to request one or more federal waivers and the statutory language to permit cost savings measures to be implemented under BadgerCare, to include establishing:
 - A 3-tiered prescription drug copayment requirement not exceeding the maximum established by the Group Insurance Board for state employees
 - A benchmark plan, federally defined as health care coverage substantially equal to the coverage offered to federal or state employees or the coverage offered by the HMO plan with the largest commercial enrollment in the state.
- Mandatory copayments for benefits.



Pharmacy Reimbursement Methodology

- The Governor's budget requires DHFS to investigate alternatives to using the average wholesale price (AWP) methodology for pharmacy reimbursement for brand name prescription drugs.
- The report will be submitted to DOA by June 30, 2006.



Health Quality and Safety

Division of Health Care Financing
Budget Initiatives and Long-Term Care Reform - April 6, 2005



Improve Health Quality and Safety

- New Health Care Quality and Patient Safety Board
 - \$10 million development fund
 - Restructured Board on Health Care Information
- Promote transparency
- Improve efficiency and reduce costly errors



Long-Term Care Reform

Division of Health Care Financing
Budget Initiatives and Long-Term Care Reform - April 6, 2005



Why Long-Term Care Reform?

Division of Health Care Financing
Budget Initiatives and Long-Term Care Reform - April 6, 2005



Why Long-Term Care Reform?

- Give people *choices* about where to live and their care
- not just institutions
- Streamline the system - simplify access and funding structure
- Prepare for the aging baby boom
- Promote wellness - prevent need for expensive care
- Promote individual planning and responsibility for future long-term care needs
- Control and manage public costs smarter



Give People Choices

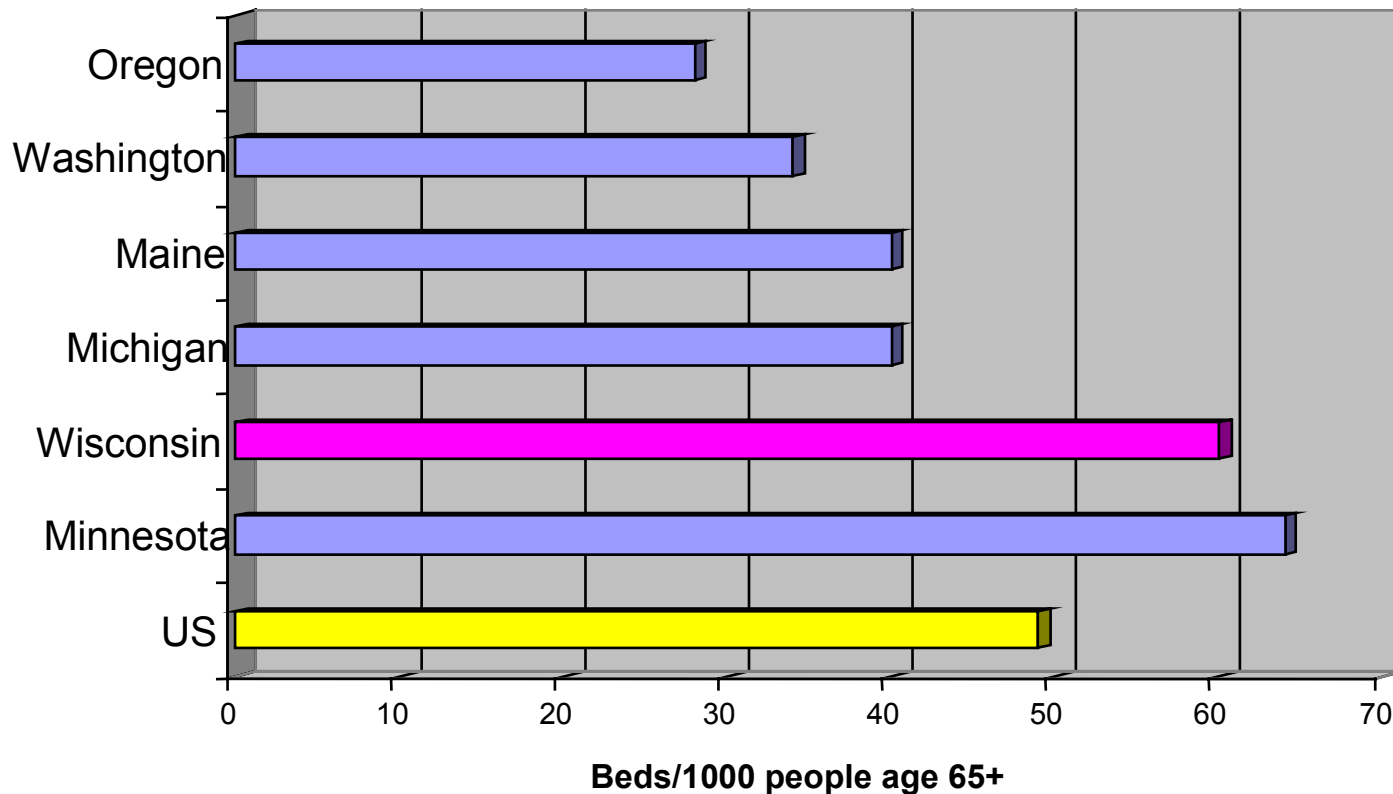
- Currently, Medicaid provides *entitlement* to nursing home care.
- Currently, Medicaid has *waiting lists* for community long-term care options - except in Family Care pilot counties.
- Overwhelming preference of consumers is for community care.
- Wisconsin continues to rely heavily on institutions, compared to other states.



Reliance on Institutions

Wisconsin is 22 % Over National Average in Nursing

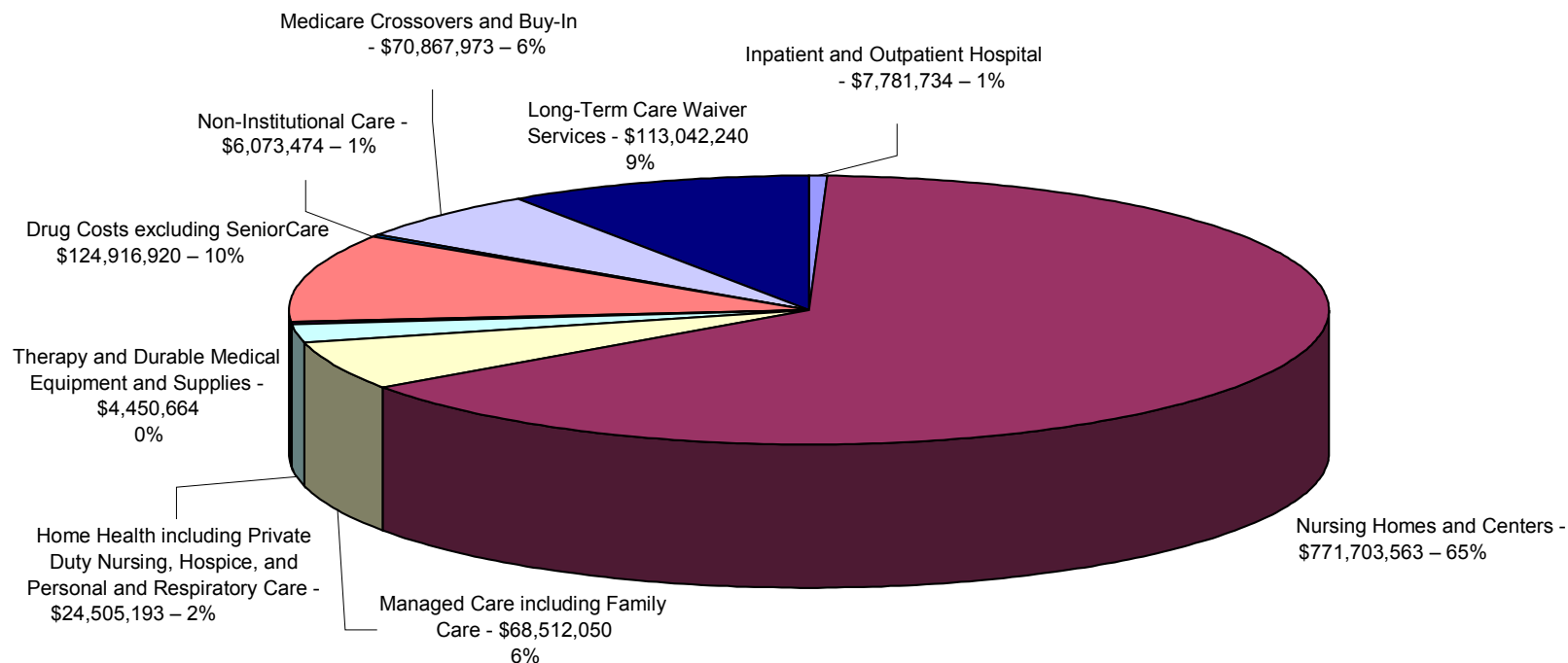
Home Bed Capacity for 2003



Division of Health Care Financing
Budget Initiatives and Long-Term Care Reform - April 6, 2005



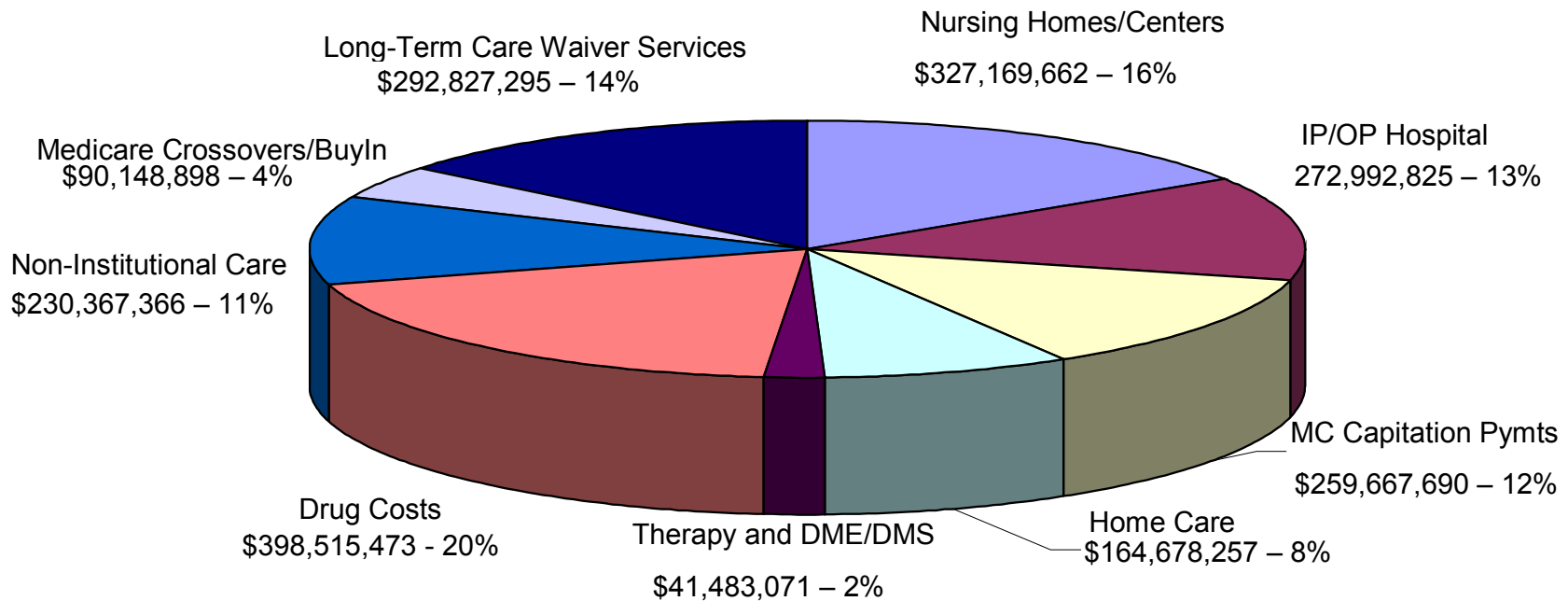
Medicaid Expenditures for SSI-Eligible and Other Aged Recipients SFY 2004



- Inpatient and Outpatient Hospital - \$7,781,734
- Nursing Homes and Centers - \$771,703,563
- Managed Care including Family Care - \$68,512,050
- Home Health including Private Duty Nursing, Hospice, and Personal and Respiratory Care - \$24,505,193
- Therapy and Durable Medical Equipment and Supplies - \$4,450,664
- Drug Costs excluding SeniorCare - \$124,916,920
- Non-Institutional Care - \$6,073,474
- Medicare Crossovers and Buy-In - \$70,867,973
- Long-Term Care Waiver Services - \$113,042,240



Medicaid Services to Eligibles with Disabilities - SFY 2004



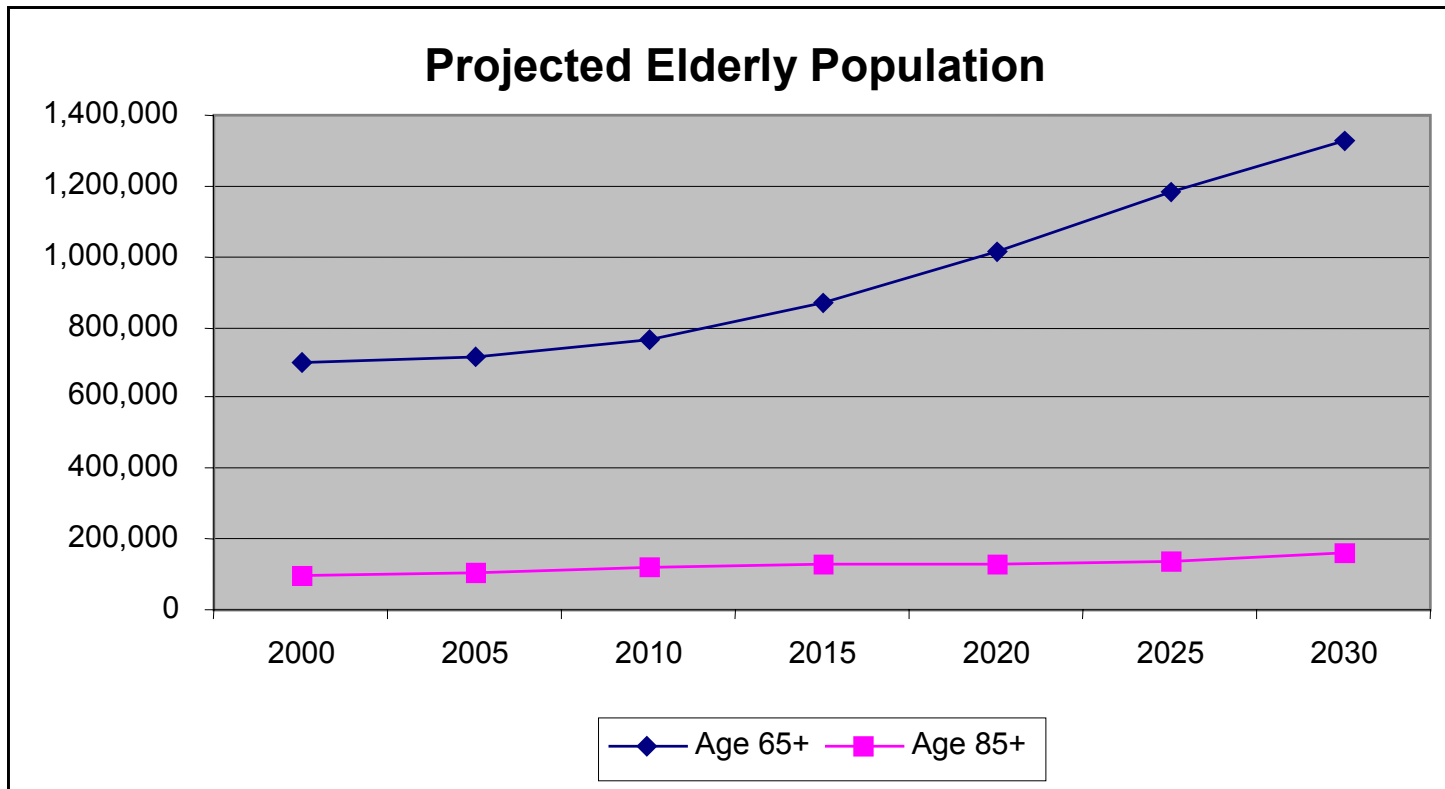
■ Nursing Homes and Centers - \$327,169,662	■ Inpatient and Outpatient Hospital - \$272,992,825
■ Managed Care Capitation Payments - \$259,667,690	■ Home Care - \$164,678,257
■ Therapy and DME/DMS - \$41,483,071	■ Drug Costs - \$398,515,473
■ Non-Institutional Care - \$230,367,366	■ Medicare Crossovers and Buy-In - \$90,148,898
■ Long-Term Care Waiver Services - \$292,827,295	

Multiple Funding Sources

- Medicaid LTC care services (i.e., personal care, home health, nursing homes and other institutional care)
- Community Options Program Waiver (COP-W) for seniors and people with physical disabilities
- Community Integration Program II (CIP II)
- Brain Injury Waiver
- Community Integration Program 1A (CIP IA)
- Community Integration Program 1B (CIP IB)
- Community Options Program (COP)
- Community Aids
- Community Aids - Alzheimer's Caregiver Support Program (AFCSP)



Elderly Population Will Almost Double by 2030



Living Arrangements of Wisconsin Residents Age 65+

Source: U.S. Bureau of the Census, Census 2000

